Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

Monthly Budget Review: August 2026

September 9, 2026

The federal budget deficit totaled $2.0 trillion in the first 11 months of fiscal year 2026, the Congressional Budget Office estimates. That amount is $6 billion less than the deficit recorded during the same period last fiscal year. Revenues rose by $154 billion (or 3 percent), and outlays increased by $147 billion (or 2 percent).

That comparison is affected by shifts in the timing of certain payments. Payments that otherwise would have been due on September 1, 2025, which fell on the Labor Day holiday, were shifted into August of that year. If not for those shifts, the deficit thus far for fiscal year 2026 would have been $82 billion *more* than the shortfall for the same period in fiscal year 2025.

Table 1.

Budget Totals, October–August

Billions of Dollars

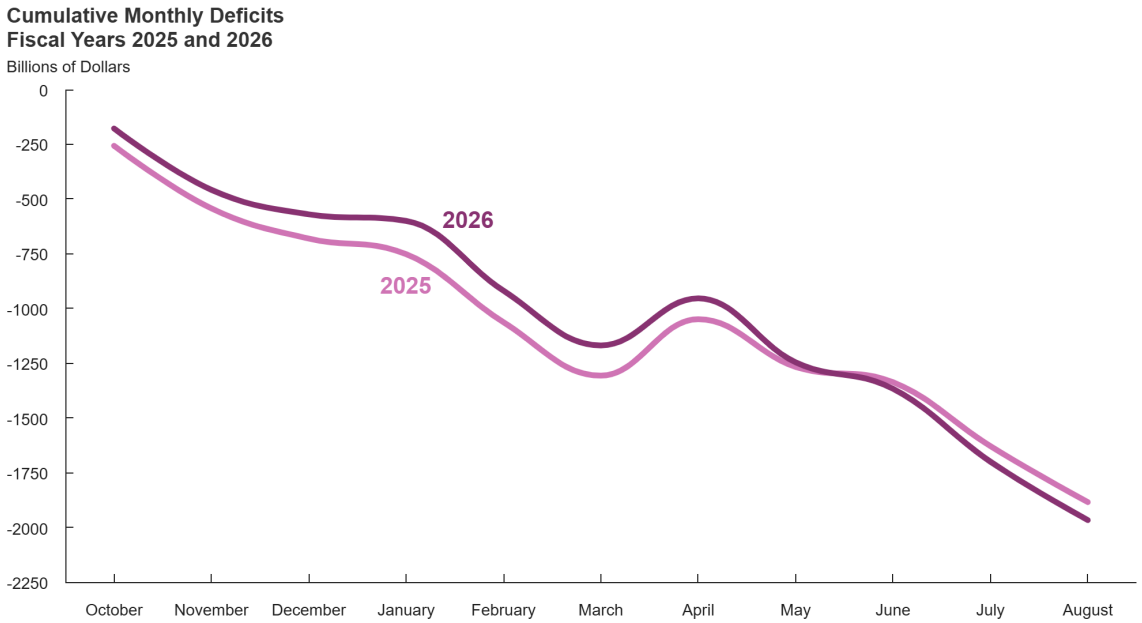
	Actual, FY 2025	Preliminary, FY 2026	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
				Billions of Dollars	Percent
Receipts	4,691	4,845	154	154	3
Outlays	6,664	6,812	147	235	4
Deficit (−)	−1,973	−1,967	6	−82	4

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for July 2026 and the *Daily Treasury Statements* for August 2026.

FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a holiday or weekend. The budget would have shown a deficit of $1,885 billion for the first 11 months of fiscal year 2025 if the effects of those payments were excluded.

The amounts shown in this report include the surplus or deficit in the Social Security trust funds and the net cash flow of the Postal Service, which are off-budget. Numbers may not sum to totals because of rounding.



Data Sources: Congressional Budget Office; Department of the Treasury.
The value shown for August 2026 is CBO's estimate.
Values for all months have been adjusted to exclude the effects of timing shifts.

Total Receipts: Up by 3 Percent in Fiscal Year 2026

Receipts totaled $4.8 trillion during the first 11 months of fiscal year 2026, CBO estimates—$154 billion (or 3 percent) more than during the same period a year ago. Collections of individual income and payroll taxes rose; collections of corporate income taxes declined.

The changes in receipts from last year to this year were as follows:

- Individual **income** and **payroll (social insurance) taxes** together increased by $239 billion (or 6 percent).
  - Amounts withheld from workers' paychecks rose by $169 billion (or 5 percent), a reflection of rising wages and salaries.
  - Nonwithheld payments of income and payroll taxes increased by $90 billion (or 9 percent) relative to the same period in fiscal year 2025. Amounts collected so far this year include final payments of 2024 taxes made after the typical filing season, estimated and final payments of taxes for 2025, and estimated taxes for 2026.
  - Individual income tax refunds increased by $15 billion (or 5 percent), reducing net receipts. (Some refundable tax credits are classified as outlays and do not affect net receipts.) For some taxpayers, refunds were boosted by provisions of the 2025 reconciliation act.
- Collections of **customs duties** increased by $1 billion (or 1 percent) relative to collections in the same period in fiscal year 2025. Collections were larger earlier in the year but have fallen since May, when the Administration began issuing refunds related to tariffs imposed under the authority of the International Emergency Economic Powers Act (IEEPA) following a Supreme Court decision in February.[1] Through August, CBO estimates, about $110 billion had been issued in refunds for tariffs collected under IEEPA.

1. *Learning Res., Inc. v. Trump*, Nos. 24-1287, 25-250, slip op. (S. Ct. Feb. 20, 2026). For more discussion, see Congressional Budget Office, "CBO's Updated Budgetary Projections of Tariffs as of July 31, 2026," *CBO Blog* (August 20, 2026), www.cbo.gov/publication/62704.

Table 2.
Receipts, October–August

Billions of Dollars

Major Program or Category	Actual, FY 2025	Preliminary, FY 2026	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	2,358	2,547	189	8
Payroll Taxes	1,614	1,664	50	3
Corporate Income Taxes	390	294	−96	−25
Customs Duties (Including tariffs)	165	167	1	1
Other Receipts	164	173	9	6
Total	**4,691**	**4,845**	**154**	**3**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	3,235	3,404	169	5
Other, net of refunds	737	807	70	9
Total	**3,972**	**4,211**	**239**	**6**

Data sources: Congressional Budget Office; Department of the Treasury.
FY = fiscal year.

- Receipts from **corporate income taxes** decreased by $96 billion (or 25 percent). The 2025 reconciliation act allows corporations to take larger deductions for certain investments, thereby reducing some payments and offsetting the increases in those receipts that otherwise would have been expected, given the rise in corporate income.
- Receipts from **other sources** increased by $9 billion (or 6 percent) relative to collections during the same period last year. That increase is the net of larger collections of estate and gift taxes and remittances from the Federal Reserve to the Treasury, and a decline in miscellaneous fees and fines.

Total Outlays: Up by 2 Percent in Fiscal Year 2026

Outlays in the first 11 months of fiscal year 2026 were $6.8 trillion, CBO estimates, $147 billion (or 2 percent) more than during the same period last year. If not for the timing shifts noted above, outlays so far in fiscal year 2026 would have been $235 billion (or 4 percent) greater than outlays during the same 11 months in fiscal year 2025. The discussion below reflects adjustments to exclude the effects of the timing shifts.

Outlays for the three largest mandatory spending programs rose by $198 billion (or 7 percent):

- Spending for **Social Security** benefits rose by $78 billion (or 5 percent) because of increases in average benefits and in the number of beneficiaries. That increase would have been greater but for a significant set of onetime retroactive payments that began in March 2025 and stemmed from the Social Security Fairness Act of 2023, which was enacted in January 2025.
- **Medicare** outlays increased by $73 billion (or 8 percent) because of increased enrollment and higher payment rates for services.
- **Medicaid** outlays increased by $47 billion (or 8 percent) largely because of rising costs per enrollee.

Table 3.

Outlays, October–August

Billions of Dollars

Major Program or Category	Actual, FY 2025	Preliminary, FY 2026	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
				Billions of Dollars	Percent
Social Security Benefits	1,435	1,514	78	78	5
Medicare[b]	961	976	15	73	8
Medicaid	608	655	47	47	8
Subtotal, Largest Mandatory Spending Programs	**3,004**	**3,145**	**141**	**198**	**7**
Department of Education	140	61	−79	−79	−56
Department of Veterans Affairs	359	394	34	49	14
Environmental Protection Agency	36	16	−20	−20	−56
Department of Commerce	28	13	−15	−15	−55
Department of Housing and Urban Development	46	62	15	15	33
U.S. Coronavirus Refundable Credits	18	5	−13	−13	−75
Small Business Administration	1	12	11	11	n.m.
Food and Nutrition Administration	137	127	−10	−10	−7
DoD—Military[c]	797	833	36	41	5
Net Interest on the Public Debt	941	1,052	111	111	12
Other	1,157	1,093	−64	−53	−5
Total	**6,664**	**6,812**	**147**	**235**	**4**

Data sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; FY = fiscal year; n.m. = not meaningful.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a holiday or weekend. Outlays excluding the effects of the timing shifts would have been $6,576 billion in fiscal year 2025.

b. Medicare outlays are net of offsetting receipts.

c. Excludes a small amount of spending by DoD on civil programs.

Other areas with large increases were the following:

- Outlays for **net interest on the public debt** rose by $111 billion (or 12 percent) because the debt was larger than it was in the first 11 months of fiscal year 2025 and because long-term interest rates were higher. Declines in short-term rates partially mitigated the overall rise in interest payments.
- Outlays from the **Department of Veterans Affairs** increased by $49 billion (or 14 percent) mainly because more people received veterans' benefits and spending per person rose.
- Spending by the **Department of Defense** for military activities was $41 billion (or 5 percent) greater than in the same period in fiscal year 2025; the largest increases were for military personnel and for research and development.

- Outlays of the **Department of Housing and Urban Development** rose by $15 billion (or 33 percent) largely because in July 2025 that agency recorded a downward revision to the estimated costs of outstanding housing loan guarantees. No such revision has been recorded this fiscal year.
- Outlays of the **Small Business Administration** increased by $11 billion mostly because in June 2026 the agency recorded an increase of $10 billion in the estimated costs of its outstanding disaster loans.

The largest decreases were the following:

- Outlays of the **Department of Education** decreased by $79 billion (or 56 percent) largely because in June 2026 the department recorded a net reduction of $53 billion in the estimated costs of outstanding student loans; a $24 billion *increase* was recorded in July 2025. In addition, spending from the Education Stabilization Fund declined by $12 billion. The total decline in education spending would have been larger if not for $11 billion in outlays stemming from the recording of the estimated costs of two administrative actions announced in 2026: one delaying collections on delinquent student loans ($4 billion) and the other providing a discount to borrowers who elect to have automatic monthly payments made from their bank accounts ($7 billion).
- Spending by the **Environmental Protection Agency** decreased by $20 billion (or 56 percent) largely because in November and December 2024 that agency recorded $20 billion in outlays under a clean energy grant program established by the 2022 reconciliation act.
- Spending by the **Department of Commerce** decreased by $15 billion (or 55 percent) mostly because the department spent less to support semiconductor manufacturing in the first 11 months of fiscal year 2026 than it did in the same period last year.
- Outlays related to **U.S. Coronavirus Refundable Credits,** a group of temporary tax credits to help employers cover the costs of sick and family leave, employee retention, and continuation of health insurance for certain workers, decreased by $13 billion (or 75 percent).
- Spending for the **Food and Nutrition Administration** decreased by $10 billion (or 7 percent) largely because Supplemental Nutrition Assistance Program caseloads have decreased; that decline began in the spring of 2025 and accelerated at the start of fiscal year 2026.

Spending for other programs and activities increased or decreased by smaller amounts.

Estimated Deficit in August 2026: $168 Billion

The federal government incurred a deficit of $168 billion in August 2026, CBO estimates, $177 billion less than the deficit recorded in the same month last year. Revenues were $15 billion more this August than they were the year before, and outlays decreased by $162 billion.

That comparison is affected by shifts in the timing of certain federal payments. Because September 1, 2025, fell on a holiday, certain federal payments were shifted into August of that year. In addition, payments owed on August 1, 2026, which fell on a weekend, were shifted to the previous month. If not for those shifts, the deficit would have been $10 billion *larger* in August 2026 than in August 2025.

Table 4.

Budget Totals for August

Billions of Dollars

	Actual, FY 2025	Preliminary, FY 2026	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
				Billions of Dollars	Percent
Receipts	344	359	15	15	4
Outlays	689	527	−162	25	4
Deficit (−)	−345	−168	177	−10	4

Data sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a holiday or weekend. If not for those timing shifts, the budget would have shown a deficit of $257 billion in August 2025 and $267 billion in August 2026, CBO estimates.

CBO estimates that receipts in August 2026 totaled $359 billion—$15 billion (or 4 percent) more than the amount recorded last August. That increase was driven by collections of individual income and payroll taxes, which were $32 billion (or 11 percent) larger than in August 2025. In contrast, customs duties, which include tariffs, declined by $17 billion (or 59 percent) relative to the same month last year.

Total spending in August 2026 was $527 billion, CBO estimates—$162 billion (or 23 percent) less than in August 2025. If not for the timing shifts discussed above, outlays in August 2026 would have been $25 billion *more* than in the same month last year. The list below reflects adjustments to exclude the effects of the timing shifts.

The largest increases and decreases were as follows:

- Outlays from the **Department of Veterans Affairs** increased by $14 billion (or 40 percent).
- Outlays for **international assistance programs** increased by $12 billion (or 148 percent).
- Spending for **Social Security** increased by $8 billion (or 6 percent).
- Outlays for **Medicare** increased by $6 billion (or 8 percent).
- Outlays for the **Department of Commerce** decreased by $6 billion (or 82 percent).
- Outlays for **net interest on the public debt** decreased by $6 billion (or 6 percent).

Spending for other programs and activities increased or decreased by smaller amounts.

Actual Deficit in July 2026: $432 Billion

The Treasury Department reported a deficit of $432 billion for July—$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: July 2026.*

Each month, CBO issues an analysis of federal spending and revenues for the previous month and the fiscal year to date. This report is the latest in that series, found at https://tinyurl.com/CBOMonthly. In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations. Justin Latus and Jennifer Shand prepared the report with assistance from Aaron Feinstein and with guidance from Christina Hawley Anthony, Barry Blom, Chad Chirico, Jeff Holland, John McClelland, and Sam Papenfuss. The report was reviewed by Mark Hadley, edited by Kate Kelly, and prepared for publication by Janice Johnson. An electronic version is available on CBO's website, www.cbo.gov/publication/61984.

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